

August 6, 2012

Natural Gas Trends**Highlights****COMPENSATING UTILITY CUSTOMERS FOR SERVICE INTERRUPTIONS**

NRRI report. The National Regulatory Research Institute (NRRI) recently released a report which asserts that **utilities and utility customers share responsibility for taking actions to mitigate the potential effects of weather-related service outages.** The report also describes actions taken by utilities, state utility commissions, and others to make utilities more accountable for service interruptions and outages. A few examples:

New Mexico. In February, 2011, New Mexico Gas curtailed natural gas service to over 40,000 homes and businesses due to extreme winter weather. Subsequently, the company created a **\$1 million** fund to pay for claims from customers. According to the company, the fund is being absorbed by shareholders.

California. Pacific Gas & Electric offers a **Safety Net Program**, which compensates customers who experience a weather-related service outage lasting 48 or more hours, and a **Service Guarantee Program**, which compensates customers who experience a non-weather-related service outage lasting 24 or more hours.

Maryland. The Maryland Public Service Commission recently tightened its reliability performance standards. Instead of compensating customers for power outages, the Commission fines utilities that don't meet the Commission's reliability performance standards.

United Kingdom (UK). The UK has **Guaranteed Standards** applicable to natural gas and electricity markets. Distribution companies are required to compensate customers if service is not restored within a specified time, allowing for certain exceptions. The UK's objective is to compensate customers for the inconvenience caused by an outage, not for financial losses incurred by customers due to an outage. This compensation framework provides an incentive for utilities to restore service as quickly as possible.

NRRI's 42-page Report No. 12-08, released in July of 2012, is titled "Should Public Utilities Compensate Customers for Service Interruptions?" The report, which includes an analysis of compensation policy issues and criteria for evaluating compensation plans, is available under the Research tab at:

www.nrri.org.

Data

- September Natural Gas Futures Contract (as of Aug 3), NYMEX at Henry Hub closed at \$2.877 per million British thermal units (MMBtu)
- September Light, Sweet Crude Oil Futures Contract (as of Aug 3), NYMEX at Cushing closed at \$91.40 per U.S. oil barrel (Bbl.) or approximately \$14.55 per MMBtu

Last week: Texas, U.S. CDD higher than normal

For the week beginning 7/29/12 and ending 8/4/12, cooling degree days (CDD) were higher than normal for Texas and the U.S. For the cooling season (1/1/12 to 12/31/12), cumulative cooling degree days were 22% above normal for Texas and 29% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 8/4/2012	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	158	+67	1373	61%
Austin	146	+6	1950	12%
DFW	194	+47	2098	36%
El Paso	150	+31	1865	28%
Houston	158	+25	2182	28%
SAT	162	+22	2192	22%
Texas**	158	+28	1933	22%
U.S.**	91	+17	951	29%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDD are calculated. ** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage tops 3.2 Tcf

For the week ending 7/27/12, U.S. working gas in storage rose from 3,189 to 3,217 Bcf, compared to 2,745 Bcf in storage a year ago and compared to an average of 2,810 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) decreased from 1,119 to 1,113Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 7/27/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,605	1,575	30	+ 10.2%
West	499	495	4	+ 21.1%
Producing	1,113	1,119	-6	+ 18.3%
Lower 48 Total	3,217	3,189	28	+ 14.5%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count down 7

The gas rig count for the U.S. was down 7 when compared to the prior week and down 385 when compared to 12 months ago. The total rig count for the U.S. was up 6 for the week and up 10 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

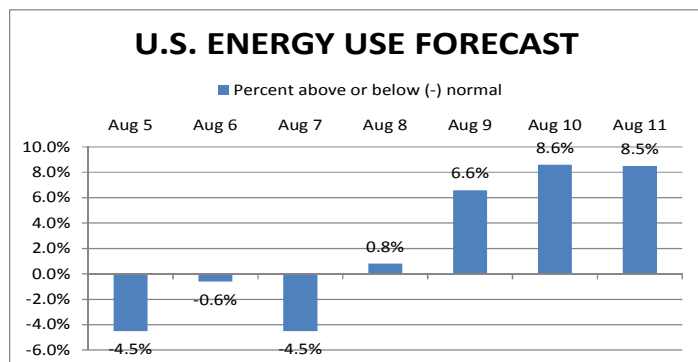
BAKER HUGHES ROTARY RIG COUNT				
	As of 8/3/2012	+/- prior week	Year ago	+/- year ago
Texas	909	+5	866	+43
U.S. gas	498	-7	883	-385
U.S. oil	1429	13	1031	+398
U.S. total	1930	+6	1920	+10
Canada	303	-35	434	-131

Numbers are excerpted and not meant to be totaled

This week: U.S. energy use lower, then higher

U.S. energy use is forecasted to be lower than normal through Tuesday, then higher than normal, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

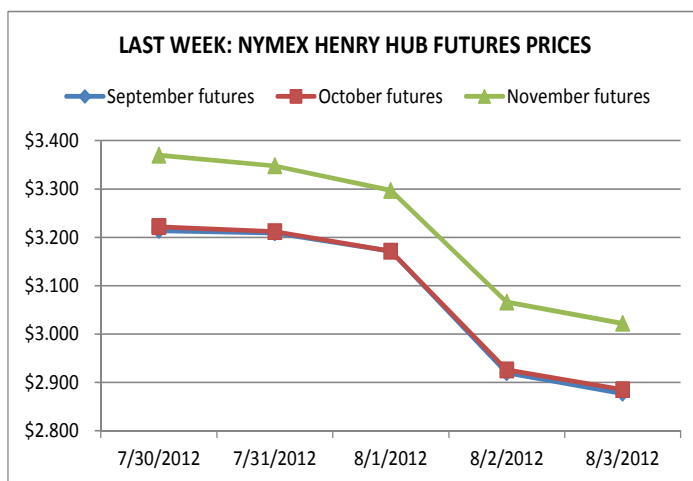
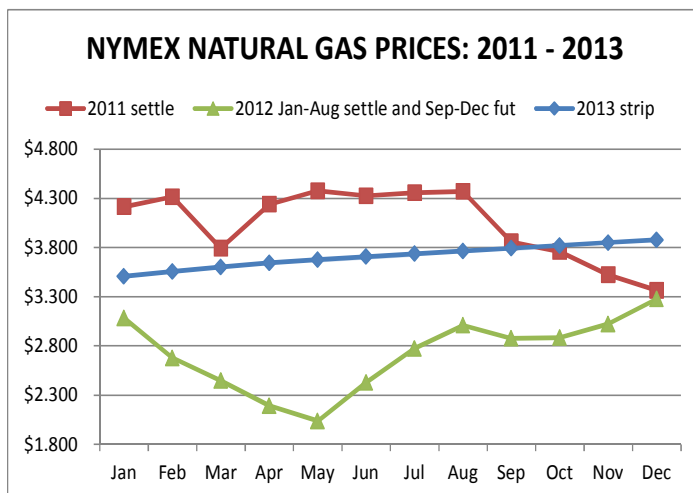
Source: Dominion Energy Index



NATURAL GAS PRICE SUMMARY AS OF 8/3/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US September fu- tures				
NYMEX	\$2.877	-\$0.133	-\$0.980	\$3.296

Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



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